

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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R 301735Z APR 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 7304

INFO AMEMBASSY TEL AVIV

USMISSION EC BRUSSELS

C O N F I D E N T I A L ROME 7092

EO 11652: GDS

TAGS: ETRD, EGEN, PFOR, IS, IT

SUBJ: ARAB BOYCOTT: ITALIAN EXPERIENCE

DEPARTMENT PLS PASS ALL OECD CAPITALS

REF: (A) STATE 96935, (B) ROME A-49, 2/5/76 (NOTAL)

1. REF (B) DESCRIBES BASIC DIMENSIONS OF ARAB BOYCOTT'S
EFFECT ON ITALY WHICH ARE OF VERY MODEST PROPORTIONS.

2. GOI BOYCOTT POLICY IS STRONGLY CONDITIONED BY SECURITY
AND ECONOMIC PRESSURES: THE ARAB MIDDLE EAST AS A LARGE
AND GROWING MARKET FOR ITALIAN EXPORTS AND AS THE SOURCE
OF VITAL PETROLEUM SUPPLIES (ITALY IS DEPENDENT UPON IM-
PORTED PETROLEUM, MOSTLY FROM THE ARAB MIDDLE EAST, FOR
70 PERCENT OF ITS ENERGY NEEDS. GOI POLICY IS TO EN-
COURAGE BOYCOTT-AFFECTED FIRMS, NUMBERING OVER 100 AS
LISTED ENCLOSURES REF(B), TO WORK OUT ANY PROBLEMS WITHOUT
DIRECT GOI INTERVENTION. THUS, INFORMAL EXPEDIENTS SUCH AS
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USING NON-BLACK LISTED FIRMS' FACILITIES, MISLEADING LABELING,

PIGGYBACK ARRANGEMENTS AND OTHER STRATEGEMS ARE AND WILL CONTINUE TO BE TACITLY CONDONED.

3. EMBASSY IS NOT RPT NOT AWARE OF ANY ITALIAN-BSED COUNTER BOYCOTT ACTIVITIES OR IMPORTANT PRESSURE GROUPS, SHIFT OF BUSINESS BY US FIRMS SEEKING TO AVOID USG ANTI-BOYCOTT MEASURES (ALTHOUGH US FIRMS MAY USE ITALIAN FIRMS TO EVADE BOYCOTT RESTRICTIONS; E.G., DAWE LABORATORIES CASE DESCRIBED REF (B) OR THAT BOYCOTT HAS CAUSED ANY SUBSTANTIAL EFFECT ON ITALY-ISRAEL (OR ITALY-ARAB) TRADE.

4. RE POSSIBILITY OF MORE ACTIVE GOI STANCE ON ARAB BOYCOTT, EMBASSY SEES NO RPT NO LIKELIHOOD THAT GOI CONTEMPLATES MOVING AWAY FROM CURRENT PASSIVE OPPOSITION IN FORESEEABLE FUTURE. AS DESCRIBED REF?, GOI HAS THUS FAR REACTED TO POTENTIAL CHALLENGES WITH STRATEGEMS DESIGNED TO MINIMIZE CONFRONTATION WITH ARAB LEAGUE. EMBASSY BELIEVES THAT GOI WOULD REACT STRONGLY ONLY IN THE FACE OF OVERWHELMING PROVOCATION AND, EVEN HERE, GOI WOULD SEEK TO FUNNEL RESPONSE THROUGH EC OR OTHER INTERNATIONAL MECHANISM TO EXTENT POSSIBLE. VOLPE

NOTE BY OC/T: NOT PASSED ALL OECD CAPITALS.

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Margaret P. Grafeld
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